434 unrequited imports were indicative of illegal diamond smuggling. It may well be that, in Malta, a less spectacular movement of capital is similarly responsible
457 for part of the residual items of foreign income. Even so, and considered in a later examination of Internal Revenue and National Product, the implications of a national reliance on this and other elements of income are manifestly significant.

439 If we turn to a consideration of the merchandise in trade, the instability of the situation becomes even more strikingly obvious. An analysis of trade of the Maltese Islands in 1953 (13), the year in which economic conditions for 1954 would be established, shows the following salient points. Britain and the Commonwealth supplied half of Malta's imports thus leaving some £10,000,000 of the remainder to be covered by British credit with other countries. Of the domestically originating exports of three-quarters of a million pounds, only £266,000 went to non-protected markets outside the Commonwealth. These and other details suggest that the Maltese Islands as a whole, not only the Garrison therein, represent a not inconsiderable drain on British reserves of foreign currency. This appears even more strongly from a consideration of the classes of imported merchandise. Imports of Food, Drink and Tobacco (F.D.T.), totalling £7,800,000 were of almost precisely the same value as imports of Manufactures. The Mediterranean Maltese islands naturally depend on imports for main supplies of dairy products. Almost all the £161,188 expended on butter went to the Commonwealth but nearly half of the value of cheese imports - £305,000 in all - came from Italy. Another £161,000 went on eggs, and £785,000 on processed milk. Alarmingly enough however even Mediterranean products were and still are imported in surprisingly large quantities, £130,000 on edible oils, and £353,000 on vegetables, one-third of the latter represented by tomato preparations, are such large sums as to need justification of local inability to produce these commodities. When one notes that, in a Class distinct from the F.D.T. group, a further £1,241,000 was expended on livestock fodder, then one begins to wonder whether agriculture is practised at all in the Islands. There seems no doubt that many of the fresh or processed food and fodder commodities now imported could properly be produced in Malta by better resource use. There remains one difficulty. It is probable that the Knights subsisted mainly on imported products of higher quality than those produced locally. Since 1800, and this is a sign of rising living standards, social emulation has been able to spread this effect through the greater part of the population. The trade figures for later years merely confirm what may be observed directly that most Maltese for one reason or another will deliberately choose foreign rather than domestic produce where possible. In 1956 this led to the consideration of quasi-sumptuary regulations; to us it is a factor in the social environment quite as important as many elements in the physical environment.

652 If we turn to a consideration of the Internal Revenue Account we see how
434 deep-rooted and extensive are those characteristics of the economy already noted.

Thus of Government Revenue approximately one-third was derived directly from outside Malta (C) as a result of activities originating outside the control of the Maltese people. Of the remaining two-thirds (D), the largest part was *indirectly* also so obtained from activities dependent on expenditure by non-Maltese, in that it came from taxation of profits earned by mercantile services to the Garrison, taxation of wages, salaries and industrial profits earned by other services rendered to the Imperial power, and lastly from Customs levies on the goods paid for by external income. This revenue (D) was not in itself in any case large enough to cover ordinary expenditure (A) let alone supply capital for public investment.

434 Many other questions could be raised, e.g. is not the scale of Government
471 expenditure on Administration rather large relative to total revenue?; but we must content ourselves with one last reflection. The paucity of material resources in the Islands is such that capital investment for raising production can only be applied to agriculture and to improving the productivity of labour in those industrial or commercial services called into being by the locational

Table 32. Internal revenue account 1953-54.

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A. Ordinary Expenditure.		
(i) Maltese Government Administration	£1.667 millions	£1.958 millions
Public Debt and Pensions	.291 "	
(ii) Medical, Health, Commodity Subsidies and other Social Expenditure		2.625 "
(iii) Public Works and Agriculture		.559 "
		£5.142 "
(iv) LESS Revenue Profit on self balancing services		0.441 "
Net Ordinary Expenditure		£4.701 "
B. Special Expenditure.		
(i) Emigration		£0.143 millions
(ii) Colonial Development Works and Services		0.460 "
(iii) Imperial Government Expenditure - Administration, etc.		0.292 "
(iv) Works Extraordinary		0.268 "
Total Special Expenditure		£1.163 "
Grand Total Expenditure		£5.864 "
C. Revenue Directly Derived From Outside Malta.		
(i) Imperial Government Grants for Special Expenditure		£0.814 millions
(ii) Estimated External Revenue from:-		
Customs and Excise	£1 million	£1.180 millions
Lotteries	£0.180 millions	
		£1.994 "
D. Revenue Directly Derived From Inside Malta.		
(i) Customs and Excise (see C (ii))		£2.217 millions
(ii) Income Tax, Succession and Donation Duties		0.682 "
(iii) Lotteries (estimated £400,000), Note Fund, Savings Bank, etc.		1.491 "
		£4.370 "
Grand Total Revenue		£6.364 "

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value of the Islands. In the sector of welfare economics the field for investment is in a sense limitless including as it does all the elements of water-supply, public health, education and dietetics. In this sector, capital can only come either from a relatively benevolent foreign power - and here lies the case for continued Maltese existence as a dependency and also the case for 'integration' with the United Kingdom - or hypothetically come from a vastly increased economic turnover within Malta. This immediately leads one back to the field of production economics. If, fundamentally, the value of the Islands for the attraction of capital lies in their location, then any decline in such attractiveness (as recently evinced

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CHAPTER XXI

After the Second World War

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TO THE STORM AND STRESS OF THE WAR YEARS SUCCEEDED other activities imposed by other pressures. Urgent was the need to repair the bombed areas; to stabilize an economy disturbed by war and post-war conditions; to speed up emigration from the world's most heavily overcrowded political unit; to take into consideration the ferment in men's minds which prolonged wars on a major scale have never yet failed to generate. The circumstance that the ferment took less unsettling forms in Malta than in some other parts of a war-distracted world may be ascribed to the steadying influence of the Church.

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Britain herself, though bowing beneath the weight of unprecedented taxation, did not fail to recognize the needs and deserts of her Maltese bulwark. "There will be general agreement," said the Chancellor of the Exchequer in the House of Commons in 1942, "that the outstanding gallantry shown by the people of Malta in the face of enemy attacks of unprecedented length and severity calls for some special recognition." A first free gift of ten million pounds, made there and then by the British Government for restoration of war damage and reconstruction, was followed by an additional grant of twenty millions for the same purposes. To these were added substantial and still continuing annual grants of several millions a year in aid of the local revenue.

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From 1813 to 1946, except for one four-year interval, the Governors of Malta had been distinguished serving soldiers—Field-Marshals and Generals on the Active List of the Army and Commanders-in-Chief, not only in name but in effect,